

ECONOMIC OUTLOOK

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Despite the Great Recession, which severely impacted the U.S. economy, Bexar County has continued to enjoy a diverse economy, a relatively stable housing market and a low unemployment rate. Although key indicators point to significant improvements in the U.S. economy, both the U.S. and Texas economies are continuously evaluated to assess the potential impact of change on Bexar County's economy. This allows the County to position itself to effectively deal with both the foreseeable and unforeseeable signs of slowed and/or declining economic growth.

NATIONAL ECONOMY

As the national economy has moved forward through 2014 it has shown signs of self-sustainability. According to the Bureau of Economic Analysis, the U.S. economy grew at an annualized rate of 3.9 percent in the 3rd quarter of 2014. This is an improvement from the beginning of 2014 when the U.S. economy saw a contraction in GDP. Many economic analysts contributed this to a harsh winter and low consumer sentiment. However, consumer confidence increased through the summer of 2014 and retail sales have rebounded. As a sign of this, auto sales are the most robust they have been in the past 8 years. Additionally, the housing market seems to have turned the corner and is showing positive trends. As a reflection of the strength seen in 2014, stocks have closed at all-time highs throughout the year. All economic indicators point to continued growth in the economy which should bode well for Texas and Bexar County locally.

A contributing factor to the direction in which the economy is moving as well as where it will go in 2015 is the decisions that have been made and will be made by the Federal Reserve. At the start of 2014, the Federal Reserve made changes to its forward guidance, placing less of an emphasis on the unemployment rate as a signpost for when to start raising short-term interest rates, while sustaining its plan to keep borrowing cost low in the future. Since the end of 2012, the Fed has said it would not consider raising interest rates until the jobless rate fell to 6.5 percent, provided inflation expectations remained below 2.5 percent. The Fed has since dropped its reference to the 6.5 percent jobless rate, which it considered to be too narrow an indicator of the labor market's health. This flexible new language became increasingly necessary after the unemployment rate crept within 1/10th of the supposed trigger point.

U.S. Labor Market

The U.S. unemployment rate and the overall job market are showing signs of significant improvements. Unemployment rates in the U.S. are down to the lowest level they have been in 5 years. After averaging around 7 percent at the end of 2013, the unemployment rate fell to 6.6 percent during the first quarter of 2014. Following the drop in the first quarter, the rate of unemployment continued to decline. In June 2014 unemployment fell to 6.1 percent, the lowest level it's been since September 2008. Although expectations were to remain at 6.1 percent for the months to come, the unemployment rate increased slightly to 6.2 percent in the month of July, followed by another decrease to a year-to-date low of 5.8 percent in October.¹

During December 2013, the Labor Department reported, the number of applications for unemployment benefits totaled 344,000.² The amount of initial claims filed per week slowly decreased over the preceding seven months. It then dropped 19,000 from the previous month to 284,000 in mid-July 2014, the lowest level since February 2006.³

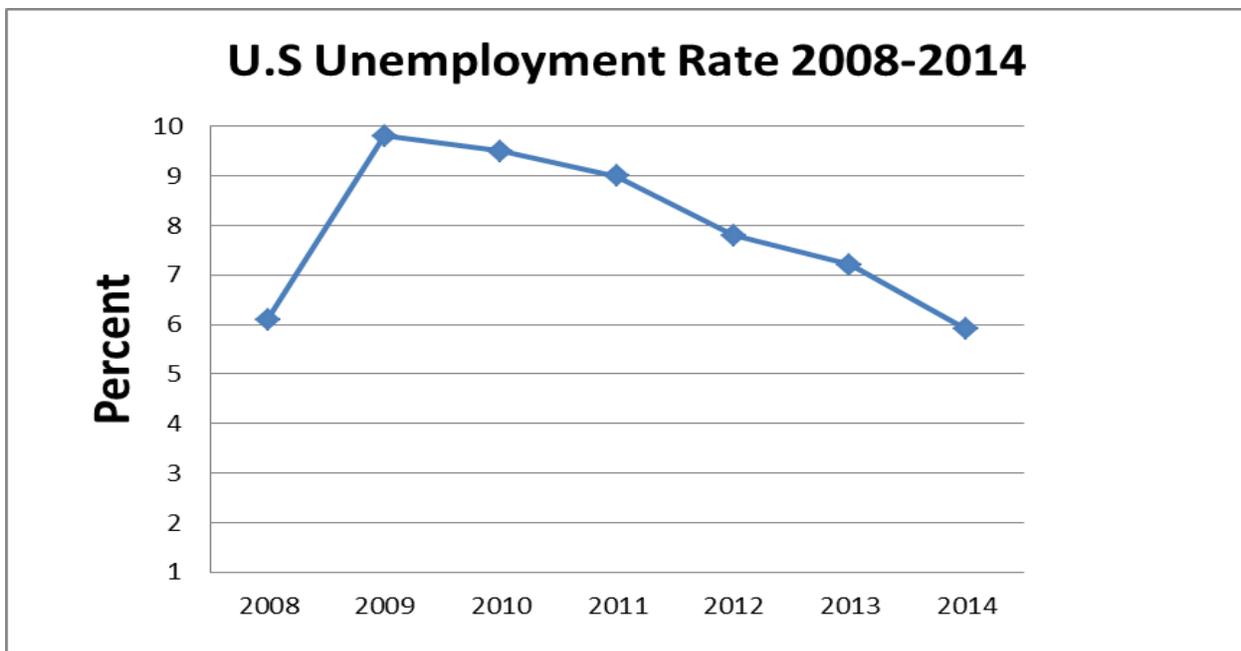
¹ "Bureau of Labor and Statistics"

² U.S Department of Labor <http://www.dol.gov/ui/data.pdf>

³ "Wall Street Journal – Economic Calendar"

Individuals who received jobless benefits fell from 2.9 million during December 2013 to 2.47 million at the end of August 2014, hovering around the lowest number of recipients since the summer of 2007, just before the Great Recession.⁴ The decrease is a result of the gains in job growth in the labor market, as Americans regained the last of the 8.7 million jobs lost during the recession. As of September 2014, the unemployment rate was approaching what economists call a “natural rate,” which is the rate of unemployment when the economy is said to be at full employment.

In the fourth quarter of 2014, economist predicts the rate of unemployment to stick to its trend and continue to decline and eventually plateau out in 2015 around 5.5 percent. It should be noted that the unemployment rate is based on those still seeking employment and doesn’t take into account those who have given up on finding employment. As the unemployment rate in the U.S. is slowly approaching pre-recession levels, employers continue to add jobs to the labor market as payrolls continue to expand at an average rate of 227,000 per month. The positive movement in the labor market is putting 2014 on track to be the strongest year of job growth since the turn of the century.



Source: Bureau of Labor Statistics

Consumer Confidence

Similar to the trend of the labor market, Consumer Confidence and Consumer Spending have been on the rise reflecting a healthy economy. In August 2014, the Consumer Confidence Index increased to a revised high of 93.4 percent, the highest reading since October 2007 before the Great Recession began.⁵ Some economists believe that the increase in consumer sentiment may have a lot to do with the decrease in fuel prices; as lower fuel prices provide consumers with more disposable income. Surprisingly, the increase came to a halt in September 2014 when it ticked down to 86 percent. The drop was unanticipated because of the positive indicators in the market reflected the opposite; fuel prices remained low, equity values grew, and there was an increase in home prices, all of which should spark consumer confidence not deter it.

⁴ “U.S. Department of Labor”

⁵ The Conference Board, Consumer Confidence Index

Even with the small setback experienced in September, confidence in the U.S is in a far better state than it was all of 2013, where the highest level recorded was only 81.8 percent for the year. Also encouraging is the continued rise in demand for durable goods, manufacturer's shipments, inventories, and orders.⁶ New orders for manufactured durable goods in July 2014 increased \$55.4 billion or 22.5 percent to \$300.2 billion. The Boeing Company played a major role in this jump as Boeing received 324 new orders for planes at the Farnborough Airshow in July which pushed the total monthly gain to a record high of 315 percent.⁷ Following the unexpected gain in July was a substantial decline in August 2014; however, the loss was solely due to the success of Boeing in July. The drop of 18.2 percent to \$245.4 billion experienced in August was still higher than the increase of 0.7 percent to \$239.9 billion recorded in June. Even with the decline, the amount in dollars consumers pay for U.S. manufactured goods continues to trend higher.

Another factor affecting consumer confidence is the average price per gallon for gasoline, which has remained consistently above \$3.53 for the past three years. However, the average price per gallon so far in 2014 is \$3.35 per gallon, or 3 percent lower than it was over the same period last year.⁸ As the prices of gasoline decreases throughout 2014, the price of food has continued to increase as it has in recent years. Food prices rose by 2.6 and 1.4 percent in 2012 and 2013, respectively, and are likely to rise between 2.5 and 3.5 in 2014.⁹ However, the rate at which the price of food has increased has slowed in 2014 giving some analysts hope that the increase of food prices is starting to plateau. If the rate of increase in food prices continues to decelerate as has been trending and the price of gasoline continues to drop, it could go a long way in putting more disposable income in the pockets of middle-class families and in turn, continue to boost consumer confidence.

U.S. Real Estate Market

Residential real estate in the U.S was the key factor in the collapse of the economy in 2009. Five years later, the U.S. housing market has changed for the better in 2014. Freezing weather and heavier than normal snowfall contributed to a slow start in new residential construction in 2014. In the first three months of the year, new home sales which make up 8 percent of the total market, fell by 3.3 percent.¹⁰ Along with the weather, increased mortgage rates also played a role in the decrease of existing homes, which fell by 5.1 percent. Favorable weather conditions and the lowest mortgage rates in almost a year contributed to the rebound experienced in the following months. New home sales rose by 18.6 percent in May 2014 to a 504,000 annualized rate, surpassing the median forecast of 425,000 for 2014.¹¹ The jump in new home sales was recorded as the fastest rate in six years, although still not close to the amount of new homes sales during the peak before the recession.

Bank lending is approaching an all-time high, which acts as a domino effect for other industries, sparking demand for raw materials and housing-related services.¹² The Fed's plan to keep interest rates at historic lows in an effort to boost bank lending has helped turn around the real estate market. The total amount of outstanding loans for commercial banks jumped from \$6.5 trillion in 2010 to \$7.8 trillion in August 2014. As of August 2014, the number of single family homes was 504,000, a 33 percent increase from August 2013. A single family home is a residence that houses one family, whereas a duplex or triplex houses two and three families. Consumers are buying homes again near pre-recession levels and although home prices are not nearly at the level they were in 2007, they have made steady gains since 2012.

⁶ "Advance Report on Durable Goods Manufacturers' Shipments, Inventories and Orders September 2014", U.S. Census Bureau News

⁷ "U.S. Census Bureau"

⁸ "U.S. Energy Information Administration"

⁹ "Changes in Food Price Indexes, 2014" <http://www.ers.usda.gov/data-products/food-price-outlook.aspx>

¹⁰ U.S. Department of Housing and Urban Development March 2014 – August 2014

¹¹ "U.S. Department of Housing and Urban Development"

¹² "Bank Review: Outstanding Loan Portfolio" Forbes May 2014

Also showing improvements is the number of homes that banks have foreclosed on. At the end of July 2013, there were approximately 976,000 homes in some stage of foreclosure. One year later that number has dropped to 640,000, a decrease of 34.4 percent. The sum of completed foreclosures for the past 12 months is the lowest it's been since December 2007, a direct result of a decrease in foreclosures for the 30th consecutive month.¹³ Judging by the current trends, the overall foreclosures inventory could possibly decrease as low as 500,000 homes by 2014 year end. As with new home sales, the improvement in foreclosures is still behind the amount experienced in pre-recession times.

U.S. Stock Market

The U.S. stock market has continued to maintain the positive growth that began in March of 2009. In 2013 the financial market encountered strong adversity but persevered to a record-setting year. Investors overlooked news of a sluggish U.S. recovery, a government shutdown, European debt issues, turmoil in the Middle East, and climbing mortgage rates. The market experienced double-digit gains for the year, pushing stocks upward for the fifth year in a row. The S&P 500 witnessed its best year since the late 1990's, while the Dow posted a gain of 26.50 percent, its largest advance in eighteen years. During 2013, increases also occurred within the bond market. Yield on the ten year Treasury note climbed from 1.70 percent to 3.01 percent, its largest increase since 2009.

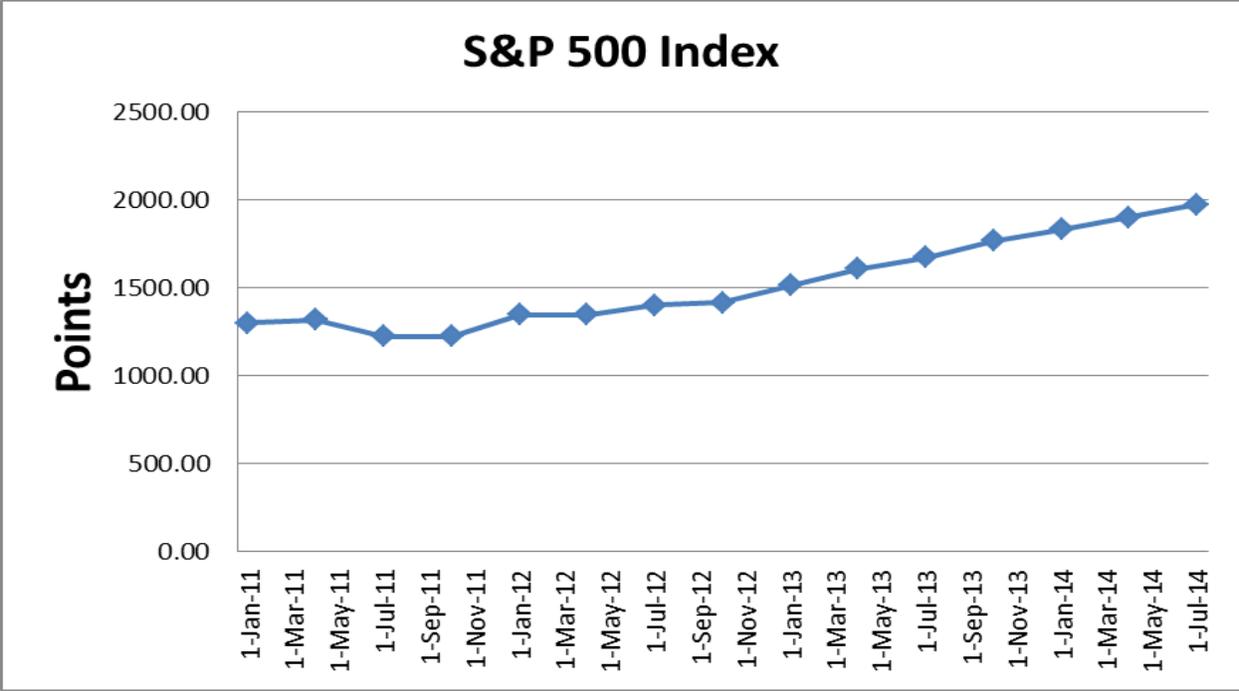
The first three months of 2014 marked the sixth quarter of a bullish market for stocks. For the past few years stocks have trended persistently higher with only minor hiccups. The recent stock market slowdowns were tied to the Fed's talk on the winding down of its quantitative easing program. Late 2013, the Federal Reserve announced it would begin to taper its aggressive bond buying program originated to help stimulate the economy. In January 2014, the Fed began its decrease in monthly bond purchases, purchasing only \$75 billion in mortgage and Treasury bonds, down from \$85 billion. That included \$35 billion of mortgage securities and \$40 billion of Treasury's, \$5 billion less of each. The Fed continued its cut in monthly purchases of \$10 billion throughout 2014 which will be complete at year end. Although stocks have briefly stuttered throughout the buy-back process each time a cut was mentioned, stock market investors have quickly moved back into buying mode as the economic data has continuously showed signs of positive growth. Simultaneously, the bond market has reacted favorably for issuers as the ten year Treasury has fallen from its high point of 3.01 percent to 2.10 percent as of 12 December 2014.

Bullish trends continued well into the second quarter of 2014, with its sixth consecutive month of gains. Throughout 2014, the Dow continues to climb, however the percentage of its increase has slowed. In the first half of the year, the Dow Jones Industrial Average, Nasdaq, and S&P 500 rose by just 1.5 percent. Throughout the second quarter Standard and Poor's 500 stock index gained 4.7 percent, increasing after a brief sell-off in early April on Ukraine-Russia tensions.¹⁴ At the end of June, the Dow Jones Industrial Average closed at 16,826, near an all-time high. A few days into July, it closed above 17,000 for the first time in history.¹⁵ The strength of the U.S. stock market is one of the biggest reflections of the U.S. economy. As businesses continue to borrow money to increase staff and further advance operations, the benefits are shown in the increase in value of U.S. stocks.

¹³ CoreLogic' National Foreclosure Report July 2014

¹⁴ Yahoo Finance - <https://finance.yahoo.com/q/hp?s=%5EGSPC&a=00&b=3&c=1950&d=09&e=23&f=2014&g=m>

¹⁵ USA Today



Source: Yahoo Finance

TEXAS ECONOMY

Texas has been noted repeatedly for its superior economic performance. A CNBC rating designated Texas as the top state for businesses in the nation. Texas continues to be one of the leaders in the economic recovery, while Bexar County, the 3rd largest County in Texas, also benefits from the stability in the Texas economy.

Texas Housing Market

While Texas did not experience a major housing crisis like many other states, there was a slight decrease in home values during the recession.¹⁶ Fortunately, the recovery of the Texas housing market was quick and has remained steady. In the first quarter of 2014, just as with the nation, the rapid growth in housing slowed significantly. While single-family home prices continued to increase, inventory reached a new historic low.¹⁷ Freezing temperatures postponed major field operations in construction such as the pouring of cement and roof installments thus no new homes were coming into the market. During the same period, average time in inventory throughout the state decreased by 19.04 percent to 3.4 months. With no new homes hitting in the market in the first quarter and time in inventory decreasing, overall inventory decreased in the state of Texas. Additionally, even though demand for housing stayed strong, sales growth showed little improvement as compared to the first quarter of 2013. Approximately 55,322 single-family homes were sold throughout the first quarter of 2014, 1.92 percent more than the homes sold during the same time frame in 2013. The current median price for homes in Texas for 2014 is \$172,900, up by 9.5 percent from 2013, while the average price also went up by 10.5 percent to \$225,337.

After experiencing the historic low of 3.4 months in time in inventory from the first quarter, things began to turn for the better in the preceding months. Time in inventory increased from 3.4 months to 3.6 months at the end of June 2014. Although the amount is still a year-over-year decrease of 12.19 percent from the

¹⁶ Texas Building Permits. Real Estate Center at Texas A&M University. <http://recenter.tamu.edu/data/bp/bps/st48.asp>

¹⁷ “Texas Quarterly Housing Report 2014” <https://www.texasrealestate.com/uploads/files/general-files/TQHR-2014-Q1.pdf>

same time in 2013, it marked the first time in 3 years the housing inventory went up on a quarterly basis. The increase in inventory fueled the strong start for sales during the summer of 2014. Sales increased 46.67 percent from the first quarter of 2014, and a year-over-year increase of 1.13 percent. The median price for homes increased 8.33 percent from the first quarter of 2014, while the average price increased 5.28 percent to \$246,209 from the second quarter of 2014.¹⁸

As shortages in inventory were witnessed, the demand for housing in Texas remains constant. The comparison to 2013 is somewhat unbalanced as Texas saw the second best year for real estate in 2013.¹⁹ However, if 2014 levels remain constant, it will end close to the second best year for Texas real estate. The reason for this optimism is the state's healthy job market and affordable home prices relative to other parts of the nation. According to the Texas A&M University Real Estate Center, even if mortgage rates were to rise to 7 percent, houses would still be just as affordable as they were during 2007 in Texas. Additionally, Texas currently has a low housing inventory. A 6.5 month inventory is viewed as a balanced market and the current statewide average is 3.5 months for 2014, representing a sellers' market. This constrained supply of homes is likely to continue throughout 2014 as home builders are having a difficult time getting loans to build new houses.

Texas Labor Market

According to the Federal Reserve Bank of Dallas, the Texas economy is expanding at a healthy pace. Employment grew 2.5 percent in 2013, down from 3.3 percent in 2012, but 0.7 percent above the national average.²⁰ As of October 2014, a total of 344,700 jobs were added to the Texas workforce in 2014, up 17 percent from the total jobs added in 2013. Cuts in federal spending contributed to the states slowdown; however the economy continued to expand. Precession employment levels in Texas peaked at 10,638,100 in August of 2008, a level that was surpassed in November 2011.²¹

According to the Texas Workforce Commission, 36,400 jobs were added in September 2014 bringing the total number of jobs added in the last twelve months to 413,700. More importantly, the civilian labor force in Texas exceeded 13 million individuals for the first time in history.²² It should be noted that the civilian workforce comprises those individuals in Texas either working or looking for work. The addition of jobs has contributed to a lower unemployment rate in Texas. As of August 2014, the Texas unemployment rate was 5.3 percent, 0.6 percent lower than the U.S. unemployment rate of 5.9 percent.²³

The strength in recent labor statistics came before the decline in oil prices. However, economists believe it is unlikely those occurrences will affect the Texas job market. With many forecasters expecting improvement in world and U.S. economic activity, Texas should continue to benefit as demand for its products and services increases. According to historical and recent statistics, if Texas continues its trend in unemployment, the state will continue to grow faster than the national average and most other states.

¹⁸ "Texas Quarterly Housing Report 2014" <https://www.texasrealestate.com/uploads/files/general-files/TQHR-2014-Q2.pdf>

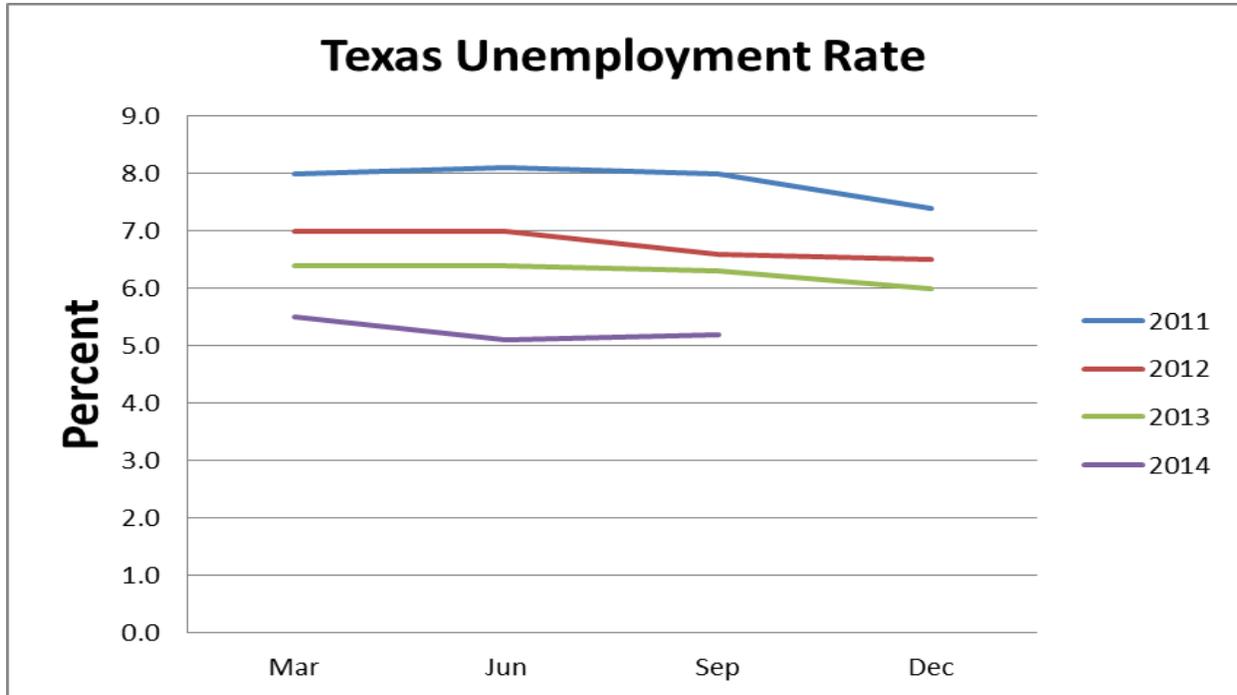
¹⁹ "Second best year for real estate in Texas" - <http://recenter.tamu.edu/news/pdf/NewsRel01-0914.pdf>

²⁰ "Federal Reserve Bank of Dallas"

²¹ "Bureau of Labor Statistics" http://www.bls.gov/schedule/archives/laus_nr.htm#2009

²² "Texas Workforce" <http://www.twc.state.tx.us/news/press/2014/101714press.pdf>

²³ "National Conference of State Legislatures" <http://www.ncsl.org/research/labor-and-employment/state-unemployment-update.aspx>



Source: The Bureau of Labor Statistics

Texas Industry

In 2013, the Texas Gross State Product (GSP) was an estimated \$1.4 trillion, making Texas the world's thirteenth largest economy in the world.²⁴ In 2014, advantages such as stable home prices and a stable political environment have made Texas attractive to companies wanting to relocate. In turn, Texas continues to be an industry leader in the global marketplace.

Manufacturing

Manufacturers in Texas account for 15 percent of the total output in the state, employing 7.8 percent of the workforce. Manufacturing News reports Texas is now home to 22,567 manufactures employing over one million workers as of 2014. Gains in the industry were led by the state's oil and gas extraction, which saw a 10.7 percent employment increase, and has surpassed fabricated metals as the state's second largest industrial sector by employment. The industrial gains were spread across most regions of the state. Southeast Texas accounts for the most industrial employment with 527,838 jobs, up 5.2 percent over the past year. Northeast Texas accounts for 411,557 jobs, with no significant change reported, while East Central Texas is home to 102,704 industrial workers, also unchanged over the year. The Southwest is home to 93,810 industrial workers, up 2 percent while employment increased 8.5 percent in West Central Texas, with the region accounting for 54,671 jobs. Employment decreased 5 percent in the Northwest, with the region home to 46,037 industrial jobs.²⁵

From 2011 to 2014, industrial employment in Texas experienced gains for three consecutive years. Manufacturers in Texas added 31,000 jobs, a 2.5 increase, from May 2013 to May 2014. Manufacturing companies in Houston employ over 261,000 workers, 4.7 percent higher than 2013. The number of employed for manufacturing decreased in Dallas by 1.5 percent and 1.7 percent in San Antonio while

²⁴“Overview of the Texas Economy” Office of the Governor

²⁵ Manufacturers News Inc - <http://www.manufacturersnews.com/>

Austin experienced an increase of 3.1 percent. The Southeast region of Texas accounts for the most industrial employment, with over 500,000 jobs²⁶

Agriculture

Texas agriculture has fell victim to many challenges throughout the past few years, such as high cost of production, drought, and a recession that reduced demand. However, the industry's resiliency and strength shines through as Texas consumers continue to enjoy the safest, most affordable food supply in America.

Animal agriculture generates more cash receipts than any other sector of Texas agriculture economy, and is critical to economic prosperity in Texas. Rural lands, including privately owned forest, total 144 million acres, 86 percent of the state's total land area. Texas has more farms and ranches than any other state in the United States—247,500 farms and ranches covering 130.4 million acres. Its top exports include cattle, cotton, sheep, wool, goats, mohair, and horses.²⁷ These are the top 10 commodities in terms of cash receipts: cattle, cotton, milk, broilers, greenhouse & nursery, corn, wheat, timber, grain sorghum and vegetables. One in seven of Texas workers are employed in agriculturally-related occupations. Nationwide, Texas is the number one producer of cotton and cottonseed, exporting over \$1.7 billion. It is the number two producer of feeds and fodders, producing a worth of \$509 million, and the number two producer of peanuts, producing a worth of over \$56 million. Moreover, it is the third largest exporter of live animals and meat, producing over \$740 million; the third largest exporter of hides and skins, producing over \$341 million; and the third largest exporter of animal fats, producing over \$180 million.²⁸ Texas is also the fourth largest producer of tree nuts, exporting over \$41 million. Yearly, Texas exports over \$6 billion in agricultural products to foreign countries. The economic impact of the food and fiber sector totals more than \$100 billion.

Yet, drought and overpopulation are ever-present concerns in many parts of Texas, leading to pressure on its water infrastructure. The drought of 2011 was the worst drought since recordkeeping began—and it may prove to be one of most devastating economic events in state history, possibly even reversing Texas' agricultural prosperity. According to the Texas Water Development Board, demand for water will rise by 22 percent by 2060.²⁹ Estimates by the Texas AgriLife Extension Service put Texas agricultural losses for the year at \$5.2 billion. A December 2011 economic analysis by BBVA Compass Bank found that indirect drought losses to the state's agricultural industries could add another \$3.5 billion to the toll. In 2013, Texas experienced a continuous rainy period which lowered the percentage of the state experiencing drought, however as of June 2014, 70 percent of Texas was still in drought of which 21 percent were in the worst two stages of drought. Though still suffering from of a multiyear drought, still ranchers sold millions of heads of cattle.³⁰

Energy

Texas' crude oil-production industry leads the nation in production. As of July 2014 Texas produced 96.168 million barrels of crude oil followed by North Dakota at 34.430 million barrels.³¹ The industry's activities generate and sustain jobs, income and output, and contribute to state and local government revenues. The oil and gas industry added 10,500 new jobs over the second quarter in 2014, a two-thirds increase over the same period in 2013.³² More than 25 percent of all U.S. natural gas production occurs in

²⁶ "Manufacturers News Inc."

²⁷ Texas Department of Agriculture Strategic Plan FY 2011-2015.

²⁸ "Texas Agricultural Statistics." Texas Department of Agriculture. <http://www.texasagriculture.gov/About/TexasAgStats.aspx>.

²⁹ "The Impact of the 2011 Texas Drought and Beyond."

³⁰ U.S. Department of Agriculture preliminary census report

³¹ "U.S. Energy Information Administration" - <http://www.eia.gov/state/rankings/?sid=TX#series/46>

³² "Rigzone industry news service"

Texas, making it the nation's leading natural gas producer. The state of Texas has the largest rig count of any U.S. state, representing 48 percent of the total rigs running in the U.S. and 25 percent of the world's rig count are located in Texas. Texas also leads the nation in natural gas production with approximately 33 percent of the top producing gas fields in the nation located in Texas. The relentless search for new markets for natural gas, and the following development of pipelines to transport natural gas to market in the mid-20th century, has resulted in the success seen today. Natural gas vehicles and the infrastructure needed to fuel them are on the rise in the U.S. as well. Home to several of the nation's main transportation corridors and a booming natural gas industry, Texas leads the nation in the adoption of natural gas vehicles.

BEXAR COUNTY ECONOMY

Bexar County's employment growth is continuing at a much faster pace than Texas and the U.S. As companies proceed to move major operations to the County, residents are benefiting from a robust and diverse job market. The energy sector, with the Eagle Ford Shale, continues to be a large factor, along with information technology, healthcare, manufacturing, and finance sectors.

Bexar County Real Estate Market

The Bexar County housing market has continued to outpace the housing recovery on the state and national level as the number of homes facing foreclosure in the San Antonio area continues to drop.³³ According to CoreLogic, the San Antonio housing market received another indication of a positive recovery at the end of 2013 when the region experienced another decrease in delinquency and foreclosure rates. Those decreases continued into 2014, as in January 0.83 percent of all outstanding mortgages in the San Antonio area were either in the missed payment, pre-foreclosure, auction, or post foreclosure stage of foreclosure. In March 2014, the percent dropped again to 0.75 percent, down from the 1.12 percent of outstanding mortgages that were in foreclosure as of March 2013.³⁴ By comparison, the Texas foreclosure rate stood at 0.76 percent as of March 2014 and the national foreclosure rate stood at 1.86 percent.

Home prices in San Antonio have increase 7.6 percent year-over-year to \$226,438 as of September 2014 from \$210,374 in 2013.³⁵ In the 3rd quarter of 2014, the amount of closings for new homes totaled 2,362, which was a year-over-year increase of 8.2 percent over the 2,183 total new home sales recorded in 2013. Currently, the number of units sold year-to-date in 2014 totals 8,406, a 3.9 percent increase over the 8,088 units of homes sold in 2013.³⁶ There has been little change in the composition of the market with regard to the types of properties sold. From a year ago, single-family home closings have moved from 98.5 percent of new home closings to 98.7 percent of closings.

Bexar County Labor Market

Bexar County's unemployment rate continues to outperform Texas and the Nation as a whole. In April 2014, the unemployment rate for Bexar County was 4.4 percent.³⁷ The Bureau of Labor and Statistics reported that the unemployment rate for Bexar County decreased 1.2 percentage points from the same month a year prior. This is 0.8 percentage points less than the state-wide unemployment rate and 1.9 percentage points less than the U.S. The 3rd quarter unemployment rate average in Bexar County increased to 5.1 percent; mainly due to an expansion in the labor force that was not offset by job growth. Since 2007, Bexar County has maintained an unemployment rate below that of the state, which in turn has

³³ "Delinquency, foreclosure figures down in July for San Antonio's housing market" San Antonio Business Journal September 2013

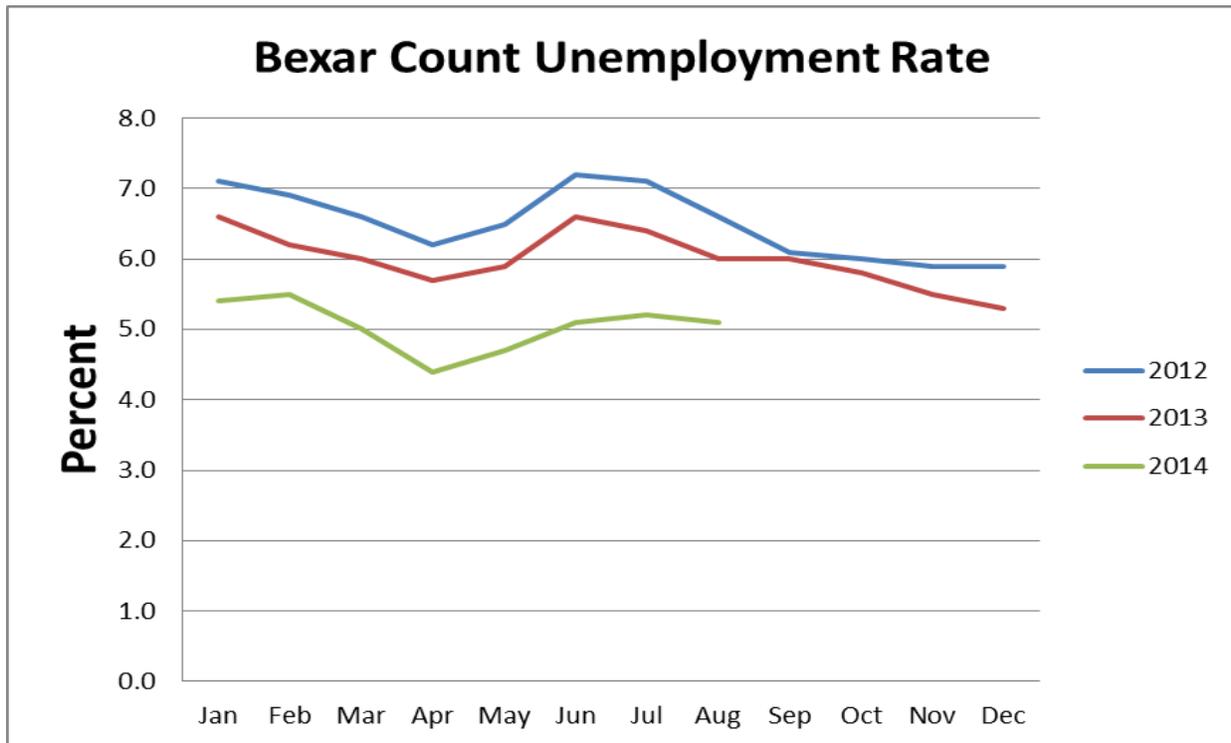
³⁴ "San Antonio Business Journal"

³⁵ "Texas A&M Real Estate Center"

³⁶ "Metro Stude Report – San Antonio"

³⁷ "Bureau of Labor and Statistics - <http://data.bls.gov/map/MapToolServlet>"

done far better than the U.S. While economic conditions continue to pick up for the County and Texas, the unemployment rate in Bexar County has decreased by 1 or 2 percentage points from July to October 2014.



Source: Bureau of Labor Statistics

Bexar County Industry

Bexar County is home to a wide variety of industries, which include biosciences, medicine, aviation, tourism, aerospace, military and information technology sectors. The local economy is a healthy mix of business services, biomedical technology and research, a diversified manufacturing sector, a rapidly growing information technology industry, and a thriving military community. Many companies continue to choose San Antonio due to its geographic advantages, high quality of life, affordable housing, and low cost of living.

Military/Defense

Bexar County continues to have a strong military presence and is recognized as “Military City, USA.” It is home to Joint Base San Antonio (JBSA) which was established as a result of the 2005 Base Realignment and Closure (BRAC) to provide installation support functions for JBSA-Fort Sam Houston, JBSA-Lackland, JBSA- Randolph Air Force Base, and eight other operating locations.

The United States Base Realignment and Closure Commission’s decision to consolidate all field medical training for all Armed Services branches at JBSA-Fort Sam Houston in San Antonio has produced the San Antonio Military Medical Center (SAMMC), the largest inpatient medical facility in the Department of Defense. A study prepared by the SABER Institute commissioned by the City of San Antonio’s Office of Military Affairs and Economic Development Department concluded that in 2011 the economic impact of Department of Defense’s presence in Bexar County was \$27.7 billion, 189,148 total employed, with JBSA directly employing 92,000. The direct effect of this impact resulted in 131,963 employed for \$20.5

billion, suppliers and contractors indirectly effecting 11,554 employed for \$1.6 billion, with an induced impact of 45,631 employed for a total of \$5.6 billion.

The 2012 total military economic impact of Joint Base San Antonio to the San Antonio community is estimated at \$13.8 billion. Data compiled and analyzed by the 502nd Comptroller Squadron, (which was established by the Air Force on JBSA-Fort Sam Houston), estimates military, civilian, retiree, and veteran payrolls to be a total of 404,958 personnel and \$8.1 billion. Contract expenditures for construction, service contracts, commissary, Army/Air Force Exchange Service, healthcare, temporary duty assignments for military and civilians, educational impact aid, VA expenditures, and other spending, totals an estimated \$3.4 billion. There were an estimated 55,307 jobs created with an average annual salary of \$40,760, which equates to \$2.2 billion annually. The total economic impact of the military and JBSA in Bexar County was estimated at \$13.8 billion for 2012.³⁸

Aerospace and Aviation

The aerospace and aviation industry includes establishments that are engaged in one or more of the following areas: manufacturing complete aircraft, missiles or space vehicles; manufacturing aerospace engines, propulsion units, auxiliary equipment or parts; developing and making aerospace product prototypes; aircraft conversion; complete aircraft or propulsion systems overhaul and rebuilding; flight training; air transportation and support activities for air transportation. Port San Antonio has assisted in employing nearly 23,000 workers in Bexar County and accounts for about \$3.3 billion in annual economic activity for the San Antonio region. Two road construction projects which began in 2011 are nearing the projected completion in 2015. Phase I of construction which was completed in 2013 begins on the Ports northwest entrance. The new construction will make entrance to the Port easier providing an opportunity for job growth. The 36th Street Project has improved overall access to the Port and opens 150 acres for the development of new air-served facilities. Construction has begun on the second phase of the project, which will create additional connections for Port workers and commercial drivers. The new sites will enable future construction of new hangars and workshops that have the potential to support an additional 8,000 new jobs in that section of the Port alone.

Auto Industry

In 2009, Toyota merged all Tundra truck production to Toyota Motor Manufacturing Texas (TMMTX), and announced that the production of its Tacoma pickup would move from California to TMMTX. This shift in production locations triggered a new direct investment of \$100 million and the addition of a 1,000 jobs to the Bexar County economy. Moreover, 100% of Toyota's United States pickup truck production is now taking place at the TMMTX plant.

In October 2013, Toyota celebrated its 10th anniversary and its one-millionth truck to be built in San Antonio. In the 10 years since Toyota broke ground in San Antonio, they have experienced several challenges. Multiple safety recalls, the 2011 tsunami in Japan, and the economic crisis of 2008 all represented setbacks to Toyota and in turn, its San Antonio plant. However, these setbacks have not changed the fact that Toyota's presence in San Antonio has been a huge contributor to economic activity in the last decade. It is predicted that, in addition to the estimated \$2.2 billion dollars that was invested in the TMMTX plant, an additional \$2.4 billion dollars will be added to the economy by 2016.

Two of Toyota's parts suppliers, Toyotetsu Texas and Arvin Sango Inc. have both filed plans to build new manufacturing space at TMMTX and create new in jobs in San Antonio by early 2015. The total investment is estimated at \$21 million dollars.³⁹

³⁸ Joint Base San Antonio

³⁹ The Texas Automotive Manufacturing Industry

Healthcare and Biosciences

Bexar County's recognized community of healthcare and medical service providers—including hospitals, physicians, other specialty providers and nursing homes—forms a strong foundation for the County's \$29.2 billion Healthcare and Bioscience Industry. The industry includes a wide variety of direct healthcare services and industries related to the delivery of health and medical care. Direct healthcare services include care provided in hospitals, physicians' offices, nursing homes, offices and clinics, and various other outpatient and ambulatory care settings. Indirectly related industries complement and support the provision of medical and healthcare. These industries include health insurance carriers, pharmaceutical companies, medical equipment producers and manufacturers, civilian and military medical education, biomedical research organizations, residential care and social service providers, and a variety of related endeavors. The Bioscience and Healthcare industry has more than a \$29.2 billion economic impact with \$7.5 billion in wages and salaries paid to 156,205 employees.⁴⁰ It is estimated that one in every six Bexar county employee works in the healthcare and bioscience industry and about 40,000 new jobs were created in the past ten years.⁴¹

Bexar County Medical Society, the first county medical society in Texas and the eighth largest in the U.S., includes more than 4,000 physicians, representing virtually every specialty and sub-specialty. The County is home to more than 40 hospitals, including four major hospital systems, with a total of more than 5,000 staffed beds. In addition to acute care hospitals, a number of specialty hospitals and treatment centers provide care to targeted populations.

County hospitals continue to expand the delivery of healthcare services to the community—both in place and into rapidly growing suburban areas—while providing significant levels of uncompensated care to the uninsured population and caring for the nation's wounded warriors. The Greater San Antonio Hospital Foundation represents over 125 hospitals and healthcare organizations in the South Central Texas Region.

Bexar County is currently the only U.S. County with two Level I trauma centers (University Hospital and San Antonio Military Medical Center), serving the civilian and military populations. All hospitals in the county are linked in real time to coordinate patient reception, staffing and resource allocation during disasters, positioning the county second only to New York City in terms of disaster preparedness.

The 900-acre South Texas Medical Center (STMC), located in the County, boasts the region's largest concentration of medical treatment, research, education and related activity. Its more than 75 medical-related facilities comprise of approximately \$2.8 billion in infrastructure values and employ nearly 27,000 medically related personnel. Two of the County's four major hospital systems, Methodist Healthcare System and University Health System, are based in the Medical Center, while two other major systems have a Medical Center presence. The South Texas Veterans Health Care System is also based at the Medical Center. Currently, the System provides health care services for 80,000 unique veterans.⁴² Approximately 30 percent of patients treated at the center's non-government supported hospitals are from outside Bexar County, a recent study shows. Capital improvements valued at approximately \$924 million are now in progress or projected over the next five years.

Other healthcare hubs are also located in Bexar County. Two major hospital systems, Christus Santa Rosa Health Care and Baptist Health System, are based downtown, along with the Nix Health Care System. Local medical facilities are keeping pace with the County's rapid population growth in new areas such as Stone Oak and Westover Hills. Construction of new hospitals and expansions of existing facilities are in the works, or recently completed, by all of the city's three of the major hospital systems.

⁴⁰ BioMed SA. <http://www.biomedsa.org/research>.

⁴¹ The South Texas Medical School Case Study 2014

⁴² U.S. Department of Veteran's Affairs

Bexar County is also becoming the “Home of Military Medicine.” The establishment of SAMMC, the DoD’s largest medical facility, plays a critical role in patient care, graduate medical education and research, in addition to taking care of wounded service members. It receives more than 5,700 emergency room visits each month and supports more than 250,000 personnel. SAMMC is the only Level-One Trauma Center in the DoD and treats civilians as well as military personnel. SAMMC is home of the world-renowned burn unit and the Center for the Intrepid for rehabilitating wounded warriors. The Army’s Medical Department Center and School, based at JBSA-Fort Sam Houston, will expand to become the Department of Defense training center for military allied health medical training and education for all branches of the service.

The University of Texas Health Science Center at San Antonio is the region’s leading provider of health professions education, with almost 3,000 students enrolled in five schools: the School of Medicine, the Graduate School of Biomedical Sciences, the Dental School, the School of Nursing, and the School of Allied Health Sciences. Together, the schools award 69 health-related degree specialties and pre- and post-baccalaureate certificate programs. Opened in 1968, the Health Science Center is one of six academic health science centers in The University of Texas System. It encompasses six campuses in Bexar County and South Texas, with more than 2 million square feet of education, research, treatment, and administration facilities.

Another welcome addition to San Antonio’s healthcare industry is the University of Incarnate Word (UIW) School of Osteopathic Medicine. The university plans to open a medical school by 2016 and is looking into a location at Brooks City Base.

In addition to being a regional hub for medical care in South Texas, Bexar County is increasingly recognized as a national center for bioscience research and innovation. The County’s vibrant research community is discovering and developing new treatments, vaccines, and prevention techniques for some of mankind’s most challenging and complex diseases, such as cancer, cardiovascular disease, and diabetes. The biomedical research community is anchored by The University of Texas Health Science Center at San Antonio (UTHSCSA), which ranks in the top 5 percent of the 1,650 U.S. universities and non-profit institutions that receive federal research funding. Its research strengths include aging, cancer, cardiopulmonary disease, transplantation, infectious disease, metabolic biology, neuroscience, trauma and women’s health.

Medtronic’s new Diabetes Therapy Management & Education Center has begun operations in San Antonio. Committed to creating 1,400 jobs in San Antonio, Medtronic’s currently houses more than 1,000 employees in their 150,000-square-foot Diabetes Therapy Management & Education Center. When fully staffed, Medtronic’s San Antonio center is expected to generate more than \$700 million per year in economic impact for the city and state, according to an impact study generated by SAEDF.

In May 2010, Becton Dickinson (BD) opened its North American Professional Services Center Headquarters and began hiring 300 employees. This is the first of four professional services centers planned across the globe. In May 2014, BD revealed that it plans to grow its San Antonio workforce from 325 employees to 500 by 2017. The Texas Workforce Commission granted the company a \$450,027 training grant to assist in its expansion.⁴³

USAA Expansion

In early 2013, San Antonio-based insurer USAA, who plays a huge part in the health of Bexar County economy, announced its plans to add an additional 1,000 new employees by 2016 to the County where it already employs 16,400. With its main campus nearly full, the company has begun construction to open another campus. Phase one began in August of 2014 which will allow 1,000 workers followed by phase

⁴³ Local Business – BD to increase S.A employment to 500

two which opens in 2015 and will house 5,000 employees. New jobs will be available in all levels of insurance, banking, investment, claims, underwriters, information security, business and financial analyst, modeling and statistical analysts, and financial services. USAA reports on its website that it is the fifth largest homeowners' insurer and sixth largest auto insurer in the country.⁴⁴

HVHC Inc. Expansion

HVHC Inc, parent company of optical retailer Visionworks, the largest wholly owned and operated U.S. based optical company announced in April 2013 that it would open a new optical manufacturing plant and distribution center in San Antonio. The facility is expected to employ 600 individuals and produce more than two million pairs of eyeglasses per year when fully operational. The company will also grow its downtown headquarters by leasing extra space at the IBC Centre and create an additional 150 jobs in San Antonio.⁴⁵ The amount of jobs in 2014 is dependent on the volume of orders for eyeglasses. The City of San Antonio offered \$1.14 million in incentive grant payable over the course of up to six years if 600 jobs are created at the Richland Hills Drive and sustained for ten years.

Eagle Ford Shale

The Eagle Ford Shale is rapidly becoming one of the largest domestic crude oil and natural gas discoveries in more than 40 years. Roughly 50 miles wide and 400 miles long, the Eagle Ford spreads across Texas from the Mexican border covering 24 Texas counties. Communities throughout South Texas are experiencing tremendous growth and are positioned to profit from the significant economic impacts as a result of natural gas, oil, and condensate development in the Eagle Ford Shale. Oil and condensate production in the Eagle Ford has grown from 581 barrels per day in 2008 to over 1.1 million barrels per day as of June 2014. Natural gas production now tops 4 billion cubic feet per day.⁴⁶

The latest economic impact report on Eagle Ford represents the 4th installment in the series (previous reports issued 2011, 2012, and 2013) and is prepared by the Center for Community and Business Research at the University of Texas at San Antonio's Institute for Economic Development. The study assesses the economic impact of the Eagle Ford Shale for 2013, including direct, indirect and induced impacts in the 21 counties directly and indirectly involved in production. Included in the study is an analysis of economic impacts of related businesses such as construction projects, manufacturing investments, as well as upstream, midstream and downstream impacts. It showed that Bexar County benefited from its proximity to the Eagle Ford Shale with close to \$3.2 billion in total output, around \$1.8 billion in total gross regional product, and almost \$48.9 million in payroll for 13,919 full-time employees. Projections for the County showed that by 2023, involvement in the Eagle Ford Shale would result in close to \$4.4 billion in total output, around \$2.6 billion in total gross regional product, and almost \$1 billion in payroll for 19,332 full-time employees.⁴⁷

In June 2014, Bexar County and San Antonio Officials gave their support for the export of liquefied natural gas (LNG), saying its international trade could generate \$86 billion in U.S. economic benefit over the next 20 years. Continued federal approval for LNG export will boost production in South Texas' Eagle Ford Shale. The addition of Eagle Ford production means additional jobs and tax revenue for the state.⁴⁸

Natural gas also offers significant benefits for Bexar County as a transportation fuel. Liquefied natural gas has been working for Texas and its natural gas vehicles (NGVs). NGVs offer increased fuel efficiencies, lower operating cost, and has a significant higher octane rating than conventional fuel. Natural gas is

⁴⁴ San Antonio Express News – “USAA to add 1,000 jobs here March 5, 2013”

⁴⁵ San Antonio Express News – “HVHC plant just months away April 10, 2013”

⁴⁶ Economic impact of the Eagle Ford Shale – Thomas Tunstall, Ph.D.

⁴⁷ Tunstall, T., Oyakaw, J., et al. (2014). Economic impact of the Eagle Ford Shale. UTSA Institute for Economic Development

⁴⁸ San Antonio Business Journal – San Antonio officials back liquefied natural gas export group June 5, 2014

helping keep dollars in Bexar County resident's wallet. On average, natural gas costs 33 percent less than gasoline at the pump.⁴⁹

San Antonio is the largest metropolitan area adjacent to the Eagle Ford Shale and will continue to receive serious economic benefits. In 2022, it is projected that Bexar County will use 14,000 barrels of oil per day for refining. Additionally, in 10 years, Bexar County's gross product will be an estimated \$3.92 billion and the total output will be an estimated \$6.65 billion. For the estimated 24,280 jobs supported, the total payroll will have increased to \$1.1 billion.

Information Technology

The Information Technology (IT) industry plays a major role in Bexar County. The economic impact of IT and cyber business already measures in the billions: \$10 billion in 2010, with conservative estimates of growth to \$15 billion by 2015. The industry itself is both large and diverse, including IT and Internet-related firms that produce and sell information technology products. Information Security is a strong field in Bexar County, with the U.S. Air Force's Air Intelligence Surveillance and Reconnaissance Agency, a large and growing National Security Agency presence, and the Center for Infrastructure Assurance and Security at the University Of Texas at San Antonio.

Texas is number two in the nation for science and technology and Bexar County is firmly established as number two in the nation in cyber security. The County's association with the military and with scientific research has helped to create a unique combination of cyber resources useful to many business operations. The Air Force Cyber Command's (24th Air Force) recent choice to locate within the County was both highly prestigious and highly publicized. The County offers the kind of network connectivity needed to support all security levels of Global Cyber Operations such as the Joint Worldwide Intelligence Communication System and the National Security Agency Nets, DISA GIG Network (Defense Information Systems Network) and GIG-BE (Global Information Grid Bandwidth Expansion, which helps link major government intelligence community sites). The County also has the second largest concentration of data centers in the U.S. and 80-plus companies specializing in defense technology.⁵⁰

Chevron U.S.A. Inc. recently selected San Antonio as the site for the construction of a 130,000 square foot data center to consolidate all of its North American data centers operation. The data center involves a capital investment of over \$335 million over the next ten years and will create close to 17 new jobs that pay approximately \$60,000 annually in the targeted industry of IT. Chevron completed construction of the data center on a 33.82 acre site on the County's northwest side, located at 5200 Rogers Road and will commence operations in late 2014.

CyrusOne a publicly traded owner, operator, and developer also chose San Antonio to begin construction for a new campus to move its operations. The company currently owns and operates a 107,000 square foot co-location data center on the City's northwest side. The company's customers include 15 of the top 100 global companies and five of the top 10 companies, including local companies such as Christus Health, Schlumberger, and Halliburton.

HEB Expansion

In October 2013, HEB revealed plans for a \$100 million expansion of its downtown San Antonio headquarters.⁵¹ The expansion would double HEB's downtown workforce by 2030 and transform the area just north of the historic King William neighborhood. The expansion will also include a new downtown grocery store, to be called Flores Market. The proposed market will cover an estimated 10,000 square feet

⁴⁹ The U.S. Energy Information Administration - <http://www.eia.gov/>

⁵⁰ San Antonio Economic Development Foundation.

⁵¹ "H-E-B plans \$100 million investment around downtown store" San Antonio Express News November 2013

and will include several mixed-use buildings, new public spaces, and a bike trail along South Flores Street. This expansion effort will only further aid in San Antonio's push to revitalize downtown both culturally and economically.

As of May 2014, HEB began building its commercial kitchen and office space to train employees in the culinary arts while developing its own brand products and recipes. HEB also plans to use the cooking school to prepare employees and design menus for the company's expanding restaurant business, which includes the full-service Oaks Crossing restaurant it opened during the summer of 2014 in Stone Oak located in northern Bexar County.

SUMMARY

The United States as a whole is beginning to experience a self-sustaining economy as the Federal Reserve plans to end its quantitative easing plan. Texas and Bexar County continue to remain above the national average in several economic indicators providing for additional economic stability in the region. The County's ability to attract businesses is a major factor in the area's lower unemployment as compared to other parts of the country and has led to numerous companies and families choosing the County as their new home. Bexar County anticipates the continued growth in population as well as new business choosing to expand or headquarter in Bexar County, which will lead to a positive impact on property values and ad valorem revenue for Bexar County.

Crime Laboratory Career Path

Forensic Scientist I (FS I)	Forensic Scientist II (FS II)	Forensic Scientist III (FS III)	Forensic Scientist IV (FS IV)	Forensic Scientist V (FS V)
Table E Grade 05 College degree required No Experience Necessary	Table E Grade 06 College degree required 1 Year Forensic Experience	Table E Grade 07 College degree required 2 Years Forensic Experience	Table E Grade 08 College degree required 4 Years Forensic Experience	Table E Grade 09 Advanced College Degree (M.S. of Science or M.S. of Forensic Science) or Equivalent 6 Years Forensic Experience
	'FS II' REQUIREMENTS	'FS III' REQUIREMENTS	'FS IV' REQUIREMENTS	'FS V' REQUIREMENTS
NEW HIRE- No Experience	Achieve 60% Productivity New step starts with employee anniversary or after completion of all requirements and approval of the appropriate Status Form by the County Manager/Budget Officer.	Achieve 80% Productivity New step starts with employee anniversary or after completion of all requirements and approval of the appropriate Status Form by the County Manager/Budget Officer.	Achieve 80% Productivity AND equal to or greater than the Section Average in which the majority of Hours Billed occurred New step starts with employee anniversary or after completion of all requirements and approval of the appropriate Status Form by the County Manager/Budget Officer.	Maintain 90% Productivity AND equal to or greater than the Section Average in which the majority of Hours Billed occurred New step starts with employee anniversary or after completion of all requirements and approval of the appropriate Status Form by the County Manager/Budget Officer.
	1 Year as FS I to start upon authorization to perform independent casework Successfully complete training Maintain 'Commendable' or higher for 1 Annual Evaluation.	1 Year as FS II 3 CEU's Maintain 'Commendable' or higher for 2 consecutive Annual Evaluations.	2 Years as FS III 6 CEU's Maintain 'Commendable' or higher for 2 consecutive Annual Evaluations. Complete Supervisor Training	2 Years as FS IV 6 CEU's Maintain 'Commendable' or higher for 2 consecutive Annual Evaluations. Successfully complete ABC Certification or "Equivalent" Participation in Leadership Role

CEU- Continuing Education Unit= One Credit Hour of University Level Coursework with Forensic Science Content and approved by the Crime Laboratory Director
ABC- American Board of Criminalistics

*The Productivity metric is calculated based on hours billed for the current 12 month period of the employee's tenure in a Grade Level.

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